

Internal Audit Division
City of Greensboro



April 23, 2010

TO: Rashad Young, City Manager

FROM: Internal Audit Division

SUBJECT: Ole Asheboro Street Neighborhood Association

The Internal Audit Division has completed our annual review of The Ole Asheboro Street Neighborhood Association along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



City of Greensboro

Date: November 12, 2009

To: Dan Curry, Acting Director of Housing & Community Development

From: Internal Audit Division

Subject: Ole Asheboro Street Neighborhood Association 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of the Nettie Coad Apartments, which consists of 30 units for low-income individuals or families located in the David Caldwell School at 503 Martin Luther King Drive. These units are owned by the City of Greensboro and are managed by the Ole Asheboro Street Neighborhood Association, Incorporated (OASNA, Inc.).

The lease extension agreement which the City and the Association are presently working under is dated July 1, 2009 and expires on July 31, 2010. The rent is \$1.00 per year and is due in advance on August 1st of every year. The lease states that any excess funds from the rental of these units after all expenses incurred and funding of the reserve accounts must be used in the OASNA, Inc. self-sufficiency programs. As of the date of this report, no excess funds have been transferred for the year.

The OASNA, Inc. received a grant in the amount of \$72,000 from the Cemela Foundation for the Nettie Coad Apartments in 2003 for the purpose of constructing a multi-purpose room on site for the use of the local community. As of the date of the review, the project was not complete and a certificate of occupancy had not been issued and is therefore not being used by the Association. The project when complete will include computer access outlets, a meeting room, two restrooms, a food pantry and a kitchen. The plans call for a handicap access ramp and steps to the exterior door. The Board of OASNA approved on November 3, 2008, to hire J&C Contracting to build a handicap ramp in the amount of \$4,250.00. As of our inspection date of July 22, 2009 no work had been started for this ramp.

We accompanied Mr. Jim Teele, Housing Rehabilitation Specialist of the Department of Housing & Community Development (HCD), as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the units inspected appear to be well maintained. We did inspect the multi-purpose room and there has been no further work been done since the original renovation.

We examined selected program documentation maintained by the Association for compliance with the existing lease agreement and found everything agreed except for the following findings:

FINDING:

The Board of Directors of OASNA should respond to their auditor's recommendation in his Management letter dated June 28, 2009 for fiscal year ended December 31, 2008.

RECOMMENDATION:

When OASNA, Inc. responds to the external auditor reference the recommendation made, the City requests a copy.

FINDING:

In the June quarter 2009 financial statements for OASNA, Inc. there was not a six month ending, 2009 Profit and Loss statement included.

RECOMMENDATION:

OASNA, Inc. should include cumulative to date Profit and Loss statements in their quarterly financials statements.

We request a written and signed response from OASNA, Inc. and HCD which should be received by November 26, 2009 and mailed to the Internal Audit Division at address, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Jan Malone, Property Manager of Nettie Coad Apartments for her courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Interim Assistant City Manager for Economic Development
Barbara Akins, President of the Board of Directors of Ole Asheboro Street Neighborhood Association



Date: November 10, 2009
To: Barbara Akins, President, Ole Asheboro Street Neighborhood Association
From: Michael Blair, City of Greensboro Dept. of Housing and CD
RE: Nettie Coad Apartments - 2009 Monitoring Report

City of Greensboro staff conducted an on-site monitoring visit of Nettie Coad Apartments on July 22, 2009. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

The specific areas monitored were:

1. Certification of tenant income and Residential Lease
2. HOME (or other fund source) Rents
3. Affirmative Marketing
4. Property Standards
5. Lead-based Paint (if applicable)
6. Compliance with the Agreement and any other applicable requirements
7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes a "finding" is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a "concern" is either a potential finding or management weakness that should be improved to avoid future problems; an "observation" can be a comment about the property or a suggestion that may improve a service or element of operations.

Certification of Tenant Incomes

The individual files reviewed were: 100; 107; 203; 208; 212 & 218.

- The recertifications were generally completed within the annual required timelines.
- All income appeared to be included in the eligibility determinations where backup was available.
- Assets were evaluated & calculated for determining annual income.

Finding # 1:

The file for unit 203 contained various backup income documentation however the file did not contain a clear or usable income calculation.

Required Corrective Action:

Per the Lease Agreement §9 management will certify/recertify tenant income "in accordance with established procedures".

Rents

For reference purposes the property is located at 503 Dr. Martin Luther King Jr. Dr., in Greensboro, NC and was acquired and rehabilitated with \$1,708,568 in local bond funds. No HOME Program funds were expended on this property therefore the lease agreement is the only controlling document regarding occupancy and tenancy requirements. The property consists of 30 units and would be made available to households with incomes at or below 50% of the adjusted area Median Income.

- Occupancy Requirement (20% rule): N/A
- Rent Requirements: None of the units had rents that exceeded the allowable rent.
- Over-Income Tenants: One of the households had a recertification income that exceeded the 60% level.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase.

Concern #1:

According to the compliance form submitted to the city unit #206 had a household income of \$29,000. This exceeds the one person 60% limit of \$24,720. Per the Lease Agreement §9 if a tenants income exceeds 60% of the adjusted median family income then that tenant should be given notice to vacate with one year.

Required Corrective Action:

If this rule was followed HCD staff must be given written documentation to that effect. If §9 was not followed then at the next annual recertification date, and if the condition remains, to follow the tenancy rules of the property.

Observation #1:

Tenant selection and procedures did not appear to be posted where prospective tenants could see them.

Required Corrective Action:

While selection and procedures/rules may be found in other tenant received literature it should also be posted to help avoid misunderstandings.

Affirmative Marketing

Affirmative Marketing requirements appear to be in compliance as required in the agreement. No Findings or Concerns noted.

Property Standards

Unit inspections are conducted by management. Copies of the inspection and maintenance forms are kept in the tenant's file (note: except for outside contracted large replacements /repairs). The units inspected by City staff on July 22, 2009 were: 100; 107; 203; 208; 212 & 218.

Observation # 2:

All units were in good condition except for minor items noted for repair. The exterior was also in good condition. Details can be found in the inspection.

Required Corrective Action:

Please send by email any repairs or maintenance in response to the inspection report to michael.blair@greensboro-nc.gov.

Lead-based Paint

The property is subject to lead-based paint requirements having been constructed prior to 1978 (1922).

Finding # 2:

Management does not provide a lead disclosure form to be signed.

Required Corrective Action:

Within 30 days of the date of this report management shall have provided the lead safe housing pamphlet and completed a lead disclosure form for all households. HCD staff will confirm that this has been completed by file inspection on a date to be determined in December 2009.

Residential Lease

All leases are for one year as required in the agreement. No findings or concerns noted.

Contractual Agreement Compliance

The purpose of the lease agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Nettie Coad Apartments is in compliance with the agreement insurance requirements as well as the majority of the rest of the agreement (See "Certification of Tenant Incomes").

Asset Management**Observation #3 – Multi-Purpose Room**

At the time of the site visit the multi-purpose room remained unfinished and unusable. This is the fourth consecutive year that this has been the case.

Required Corrective Action:

None. HCD only wishes to see the room made available.

No findings or concerns noted.

Rental Property Scoring Report – 94.5**Observation # 4:**

A score of 94.5 (out of 100 possible points) places Nettie Coad apartments in the green rental scoring category.

Required Corrective Action:


None. The property is well managed and there are no pressing concerns that warrant increased compliance monitoring.

Rental Property Scoring Report: Maximum 100 – 94.5 retained after deductions

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	98.3%	0
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	<1%	0
Average Vacant Unit Off-line Time (rough est.)	11-15 days	+2
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	\$147.30	-5
Hard Debt Service Coverage Ratio	N/A	0
Timely Delivery of External Audit	Yes	0
Adhering to HOME, PJ, Agreement and/or Note and Deed	No - see Lead	-2.5
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	5%	0
Property Taxes Paid On-time	N/A	0
Reserve requirements met	Yes	0
Replacement reserve Minimum of \$1,000/unit	Yes	0

Overall the property is well maintained, and provides decent housing to qualified residents. Please respond as to how management is addressing Findings #1 and #2, Concern #1 and Observations #1 and #2, identified in this letter; a response to the issues detailed is due to HCD by December 15th, 2009. The Internal Audit report requested a reply.

HCD staff appreciates the assistance and documentation that management staff provided during the monitoring visit.


Michael Blair
Analyst Grants Compliance


Dan Curry
Acting Director HCD

R- 3/1/10

NETTIE COAD APARTMENTS
503 Martin Luther King Jr. Drive
Greensboro, N.C. 27406
Phone: 336-272-6844 Fax: 336-574-2410

MEMORANDUM

TO: Mickey Kerans
Internal Auditor

FROM: Barbara Akins *Barbara Akins*
Ole Asheboro Street Neighborhood President

RE: Ole Asheboro Street Neighborhood Association 2007-2008 Audit

DATE: February 25, 2010

1. Deficiency in internal control existed when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Correction: Jan Malone will meet with Matt Frankland on a monthly basis to complete reconciliation on all of her accounts. This is now occurring and this activity will be reported in writing to the board during board meetings monthly. The new budget was discussed with board members and any additions or deletions were agreed upon by the board and monthly budget reports will also be reported during our monthly board meetings. Monitoring of financials can now be done to assess the quality of the organizations system. This will be done by Matt Frankland and reported to the board monthly.

2. There was not a six month ending 2009 Profit and Loss statement included.
Correction: OASNA will include cumulative to date Profit and Loss statements in their quarterly financial statements.
3. The ramp behind Nettie Coad's Apartment and handicapped access has been completed and paid for through the reserve account after a request was made to the city through Dan Curry and approved.
4. The board will separate out incompatible activities thereby creating risks to the safeguarding of cash and physical assets. This will be in a letter of understanding between Jan Malone who manages Nettie Coad's Apartment and the Ole Asheboro Neighborhood Association. This way we can see what is used by Ole

Asheboro Neighborhood Association vs. Nettie Coad's Apartment (i.e. Common utilities) Cost vs. what is being reimbursed or not reimbursed.



O. Douglas Covington, C.P.A., P.A.

1031 Summit Avenue, Suite 2E-1

Greensboro, NC 27405

Phone: 336-272-5618

Fax: 336-272-7655

odoug@bellsouth.net

A-6

To the Board of Directors
Ole Asheboro Street Neighborhood Association, Inc.
Greensboro, North Carolina

In planning and performing my audit of the financial statements of Ole Asheboro Street Neighborhood Association, Inc. as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Ole Asheboro Street Neighborhood Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated June 28, 2009, contains my report on significant deficiencies or material weaknesses in the Company's internal control. This letter does not affect my report dated June 15, 2009, on the financial statements of Ole Asheboro Street Neighborhood Association, Inc. My comments are summarized as follows:

During the course of my audit I was given copies of the reporting package provided to the board of directors on a quarterly basis. The package includes a balance sheet and income statement and supporting documentation. While all this information is useful and provides an extremely detailed view, it does not measure vacancies. I recommend that management consider identifying and including a vacancy analysis and other key indicators as part of the quarterly financial package. (7)

The Organization's office staff consists of just one person who performs all cash-related duties, many of which are incompatible. Although the bank procedures require the dual signature of checks, I noted several checks that had cleared the bank without the required dual signatures. I believe that segregation of duties and, thus, internal control, could be improved if a member of the board of was to perform certain duties. I recommend that as a minimum, the monthly bank reconciliations be prepared by a member of the board of directors. This individual should receive the bank statements unopened from the bank and prepare the reconciliations monthly on a timely basis. Additional segregation of duties should be discussed and implemented where feasible. (5)

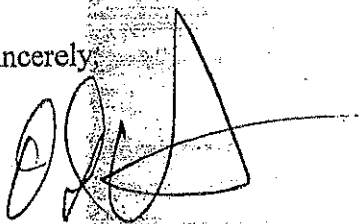
The terms of the lease agreement with the City of Greensboro requires that the apartment units be leased to low and moderate-income persons. I noted that in one new move-in, a unit was leased to an individual who did not qualify under the HUD guidelines. This occurred because the manager was told by the individual that he was going to lose his job. This did happen, however, he was able to find new employment that provided compensation in excess of the HUD guidelines for low and moderate-income individuals. The manager should give the appropriate notice for this individual to vacate the unit. In addition, units should not be leased to individuals that do not qualify at the time of move-in. (B)

It was noted during the course of my audit that the Ole Asheboro Street Neighborhood Association, Inc. was maintaining an office in the Nettie Coad Apartments rent free. In addition, certain shared expenses such as utilities and equipment usage were not being reimbursed to the Nettie Coad Apartments. The lease agreement with the City of Greensboro provides that any excess revenues generated by the Nettie Coad Apartments can be transferred twice a year to the Ole Asheboro Street Neighborhood Association, Inc. and used to further its neighborhood self-sufficiency programs. I believe these shared expenses would qualify for this intended purpose. However, because the expenses were paid directly by Nettie Coad Apartments and not part of the semiannual excess revenues transfer, the Ole Asheboro Street Neighborhood Association, Inc. should gain an understanding with the City of Greensboro that handling these expenses in this manner is permissible under the term of the lease agreement. (L)

As stated earlier, the lease agreement with the City of Greensboro provides for a semiannual transfer of excess revenues to the Ole Asheboro Street Neighborhood Association, Inc. to be used to further its neighborhood self-sufficiency programs. There have been no excess revenues to transfer for the last several years. This is due in part because the last rent increase occurred in 2003. In the last six years, expenses have increased significantly but there has not been a rent increase to offset these expense increases. The Ole Asheboro Neighborhood Association, Inc. should consider requesting a rent increase with the City of Greensboro. (S)

I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments at your convenience, to perform any additional study of these matters; or to assist you in implementing the recommendations.

Sincerely,



O. Douglas Covington, CPA
June 28, 2009



Internal Audit Division
City of Greensboro

March 2, 2010

Ms. Barbara Akins
Ole Asheboro Street Neighborhood Association, Inc.
503 Martin Luther King Jr. Drive
Greensboro, NC 27406

Re: Nettie Coad Apartments Property Year-2007 to 2008

Dear Ms. Akins:

We are in receipt of your letter to dated February 25, 2010 (received by US mail on March 1, 2010) reference the City's Internal Audit report letter dated November 12, 2009 for the 2007 to 2008 Year. We have reviewed OASNA's letter and would like for the Board to be more specific in addressing internal controls in the auditors Management Letter dated June 28, 2009. Specifically, we would request the Board responding to us in writing as outlined by your Auditor or provide us a copy of what has already been provided to the Auditor addressing the five (5) areas identified.

This response should be sent to the City of Greensboro as soon as possible.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Acting Director of Housing and Community Development



MEMO

Date: March 22, 2010
To: Len Lucas, Internal Audit Director
From: Michael Blair, Analyst Grants Compliance
RE: HCD Review of Nettie Coad Apartments Audit Report

HCD concurs with the Internal Audit review.

Internal Audit Division
Executive Department
City of Greensboro



March 23, 2010

TO: Dan Curry, Acting Director of Housing & Community Development
FROM: Internal Audit Division
SUBJECT: Nettie Coad Apartments, 2007-2008

Thank you for your reply of March 22, 2010. Internal Audit agrees with the Department of Housing & Community Development's response to Internal Audit's subject report dated November 12, 2009.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director


Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development

R-4/19/10

NETTIE COAD APARTMENTS
503 Martin Luther King Jr. Drive
Greensboro, N.C. 27406
Phone: 336-272-6844 Fax: 336-574-2410

MEMORANDUM

TO: ✓ Mickey Kerans
Guy Land

FROM: Barbara Akins 
Ole Asheboro Street Neighborhood President

RE: Ole Asheboro Street Neighborhood Association 2007-2008 Audit

DATE: April 13, 2010

Corrections from Audit:

1. Quarterly information given to the board on a quarterly basis will include balance sheet and income statement and supporting documentations. The management will provide vacancies amount on a quarterly basis and this will be in the quarterly report.
2. All checks cashed will have dual signatures. The monthly bank reconciliations will be prepared by a member of the board of director monthly. Bank statements are sealed until a board member opens them.
3. Income verifications to show individuals quality at the time of move in, will be done on all individuals who wish to rent the apartments.
4. A stated agreement for the community space in Nettie Coad's Apartment for Ole Asheboro Street Neighborhood Association will be in place.
5. Excess income portion after 6 months and end of year can be transferred to be used to further our neighborhood self-sufficiency program when this is available.



Internal Audit Division
City of Greensboro

April 19, 2009

Ms. Barbara Akins
President
Ole Asheboro Street Neighborhood Association, Inc.
503 Martin Luther King Jr. Drive
Greensboro, NC 27407

Re: Nettie Coad Apartments-Review 2007-2008

Dear Ms. Akins:

Thank you for your letter dated April 13, 2009 which we received April 16, 2010 from you in reference to the Nettie Coad Apartments' review for 2007-2008. We agree with the Board's responses to our findings per our letter dated November 12, 2009.

If you should have any questions, please let us know at telephone number 373-2821.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Acting Director of Housing & Community Development